

(b) Does not arise since no demand subsists after the assessments were set aside.

**SHRI CHITTA BASU:** Sir, it is very surprising to know that the Government has come out with this kind of an answer in reply to this question. I have got certain reports and there was also a similar question in this House on 7th December, 1966 wherein it was replied by the Government that there was some assessment made against this particular industrialist during the course of which some incriminating documents were made available and duplicate sets of papers were found. There were also duplicate sets of books of account and the proper profits were not shown in these incriminating documents. And now the Government comes out to say that it has written off something by way of income which has been due for assessment.

My second question is whether this particular company has got a sister concern in New York called the Indo-Nepal Gift House and whether this company has also made a large amount of export to that company and the the commission due to the export has been treated in the name of Mr. Pahilaj. I want to know whether the Government has conducted any inquiry to find out the relationship between this company and the company which is now functioning in New York.

**SHRI P. C. SETHI:** As far as the original question tabled by the honourable Member is concerned, he was seeking information with regard to the income-tax assessment, whether it is completed or not. Therefore, with regard to the income-tax cases I have given the information. As far as this question of search by the Enforcement Directorate is concerned, it was not mentioned in the original question. Therefore, I have not mentioned about it. Sir, on 3-9-1966 the premises of Messrs. H. N. Pahilaj and the proprietor of the firm were searched by the Enforcement Directorate. As a result of that search a large number of incriminating documents were found and now the enquiry is going on. But in the meantime Sir, the party made an application to the High Court for injunction against this enquiry and against any investigation for this purpose. Then after scrutiny of the

documents the Enforcement Directorate further issued a directive to the party under the provisions of the Foreign Exchange Regulations Act, 1947 calling upon it to furnish some information. The party instead of furnishing such information has filed an application against the Enforcement Directorate. All these matters are still under examination. With regard to Indo-Nepal Gift House and M/s. Pahilaj & Co. exporting handicrafts and handlooms to this House, whether there is any relationship between these two companies, I have no information but it is also a fact that some commission on the basis of expert advice has been remitted with the permission of the Reserve Bank of India to this firm.

**SHRI CHITTA BASU:** Sir, in the reply which was given on the 7th December, 1966 it was categorically stated that the matter regarding the evasion of income-tax was under investigation by the concerned authorities, there have been exports by M/s. Pahilaj & Co. to Indo-Nepal Gift House and the nature of relationship between these two firms and the nature of the commission in respect of these exports are all matters under investigation. Sir, this was under investigation late in the year 1966 and now it is 1970. May I know from the Government whether any such investigation has been made and, if so, the result of it? He cannot get away with that kind of reply.

**SHRI P. C. SETHI:** Sir, I am trying to furnish as much information as I have got in my possession. I have pointed out very clearly that with regard to foreign exchange, the matter is before the High Court and; as far as the income-tax matters are concerned, they are pending for disposal at various levels of the Income Tax Officers and the Appellate Authorities. With regard to transactions between these two companies, I do not have the information at present which the hon. Member wants but I would certainly furnish the information after collecting it.

#### ALLOCATION TO STATES

\*463. **SHRI KRISHAN KANT:** Will the PRIME MINISTER be pleased to state:

(a) whether any decision has been taken regarding the allocation of Rs. 175 crores to the States; and

(b) if so, what is the basis of that decision?

**THE MINISTER OF SUPPLY AND MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI R. K. KHADILKAR):** (a) No, Sir.

(b) Does not arise.

**SHRI KRISHAN KANT:** May I know if it is not a fact that after the criticism of the Budget it was mentioned here that Rs. 175 crores would be distributed in such a manner that there would be no impression that political pressure has been exercised and there would be some criteria? What are the criteria which the Government has prescribed? Is it not a fact that at present this is done on the basis of two things, either the Finance Commission's recommendations or the Planning Commission's schemes? What are the reasons for your adopting this new method? Is it to be used as an instrument of mobilisation of resources from the States so that they mobilise more?

**SHRI R. K. KHADILKAR:** As was said on the floor of this House once, this amount of Rs. 175 crores was meant for meeting the inescapable gaps in the revenue resources of the States and for its disbursement certain criteria are laid down. For the benefit of the hon. Member I would like to read out the criteria. They are as follows:

1. The reasonable requirements of the Plan outlay for each State.
2. The impact of the devolution under the recommendations of the Fifth Finance Commission on the States concerned.
3. The benefit that each State is likely to get as a result of additional resources mobilisation by the Centre.
4. The position of the States on capital account including the debt repayment liability on past loans.
5. The reasonable efforts made by the State Government themselves to mobilise and conserve their own resources.

Keeping in view these criteria, the disbursement is to be made on the recommendation of the Planning Commission. The Planning Commission will

examine each case. There is no question of any political or other consideration coming in the way of deciding disbursements.

**SHRI KRISHAN KANT:** May I know whether the Government's attention has been drawn to the recommendation of the A.R.C. for administering loans to the States through a Development Bank and, if so, what is the reaction of the Government to the proposal of the A.R.C.?

**SHRI R. K. KHADILKAR:** Sir, it is difficult for me to say what conclusions the Government has reached at the present moment regarding the recommendations of the A.R.C. But at the present juncture I can only say that whenever there are requests from the States for loans, they are considered.

**SHRI GULAM NABI UNTOO:** May I know whether the Government will adopt a basic guide in making allocations to the various States, looking to the backwardness of the States? If a particular State is more backward, it should be allocated more funds so that the regional imbalances in the country will diminish.

**SHRI R. K. KHADILKAR:** The hon. Member perhaps must be knowing that when the Finance Commission recommends certain things, the question of population and other factors which are well known are kept in view. All efforts are made to remove the imbalances or unevenness in development while making disbursements and giving help to the States. By that method backwardness is slowly being removed.

**SHRI R. T. PARTHASARATHY:** Sir, the hon. Minister a little while ago said that disbursement will be made in accordance with the five norms that the Government has already laid down. May I know whether the Government is going to be subservient to the Planning Commission in this matter, because the hon. Minister has said that the Planning Commission is the ultimate authority to decide all these things? That is my first question. Secondly, in making such an allotment, will the Government of India see that justice is done to Tamil Nadu by giving it a proportionate share?

**SHRI R. K. KHADILKAR:** Perhaps he has not followed me correctly. As I

said, Government has nothing to do while taking a decision regarding disbursements. Disbursements were made last year to the tune of Rs. 279 crores, as I have mentioned, on certain criteria and determined finally by the Planning Commission. This year also the same procedure will be followed. So far as Tamil Nadu is concerned, I do not think any other procedure can be made applicable there.

**श्री गनेशीलाल चौधरी :** क्या मंत्री जी यह बताएंगे कि जो उन्होंने पांच नाम्स, पांच काइटेरिया बनाए हैं, जनकी बेसिस पर ग्रान्ट्स देंगे, क्या उनमें एक काइटेरियन और शामिल करेंगे कि शेड्यूल्ड वास्ट और शेड्यूल्ड ट्राइब्स की पापुलेशन जिन एरों में ज्यादा है उन सुबों को शेड्यूल्ड कास्ट और शेड्यूल्ड ट्राइब्स की पापुलेशन के अपलिफ्टमेंट के लिए ज्यादा दिया जाय ?

**SHRI R. K. KHADILKAR:** Sir, the purpose of this provision is totally different. I do recognise there is some concern about the Scheduled Castes, their welfare and all that. But there is a separate Department where all these problems and their requirements are dealt with. So far as Rs. 175 crores are concerned, they are meant to meet the gap in the revenue resources to be determined by the Planning Commission in the final analysis.

**SHRI LAL K. ADVANI:** Sir, the Prime Minister is on record in this regard having said that the allocation of Rs. 175 crores in the Budget this year is not arbitrary but is based on certain calculations made by the Planning Commission regarding the requirements of 8 or 9 States. Firstly I would like to know the names of those 8 or 9 States in regard to which these calculations have been made and the amount recommended for each State. Secondly, even now, after the reply is given by the Minister, it is not clear whether in this particular matter the Planning Commission's recommendations would be accepted in toto or not. Because of the strong misgivings that this allocation is likely to be used at a political level, I think it is particularly imperative that the Planning Commission's recommendations should be accepted.

**SHRIMATI INDIRA GANDHI:** The hon. Member was not a Member of this House when this matter was discussed in great detail on a number of occasions through questions and in discussions. It was very clearly stated that we would accept the Planning Commission's recommendation on these matters. The names of nine States for which the Member has asked are Andhra, Assam, Jammu and Kashmir, Kerala, Madhya Pradesh, Mysore, Orissa, Rajasthan and West Bengal.

**SHRI R. T. PARTHASARATHY:** Tamil Nadu is not there.

**SHRI BHUPESH GUPTA:** How can it be? If they give money to Tamil Nadu you say that the DMK Government is being given.

**SHRI R. T. PARTHASARATHY:** I have not objected.

**SHRIMATI INDIRA GANDHI:** As has been said earlier, these provisions were made in the context of the Planning Commission's assessments that special accommodation by way of loans—this is not a grant—would have to be provided to these 9 States during the Fourth Plan period to cover the gap in resources which these States have with reference to the approved plan outlay. As I have said on earlier occasions, this has happened because this year the report of the Finance Commission came after we had announced the Central assistance. Such help is given normally taking the gap in resources into consideration when announcing the Central assistance. But this year, the Finance Commission's award came after the central assistance had been announced, therefore, a new situation arose. As my colleague said, the preliminary assessment made by the Planning Commission last year showed that these States were faced with a gap of nearly Rs. 800 crores during the Fourth Plan period.

**SHRI LAL K. ADVANI:** I asked about the quantum that will be granted to these States.

**SHRI R. K. KHADILKAR:** The Planning Commission has made the assessment for 1970-71 and the assessment for all these States put together covers a gap of Rs. 173.52 crores.

**SHRI SUNDAR SINGH BHANDARI:** What are the details of that?

**SHRI R. K. KHADILKAR:** If Members are interested about each State. . .

**MR. CHAIRMAN:** What is the break-up?

**SHRIMATI INDIRA GANDHI:** We do not have it.

**SHRI LAL K. ADVANI:** That can be the only criterion.

**SHRI R. K. KHADILKAR:** There is some misunderstanding. I have the break-up State-wise for all the States as to what is the estimated gap but so far as the Planning Commission is concerned, it will have to apply its mind and decide finally what would be the gap in reality.

**SHRI LAL K. ADVANI:** I have referred to the specific quantum of Rs. 175 crores allocation made in the Budget and may I know how this Rs. 175 crores is to be disbursed among nine States that have been mentioned? What is to be the break-up?

**SHRI R. K. KHADILKAR:** At the present moment, I cannot give the break-up. It is being assessed because as I said, that was the expectation and Rs. 175 crores have been kept apart to fill in the gap in revenue. The final allocation will be made by the Planning Commission, not at the present moment.

**श्री राजनारायण :** श्रीमन् मेरा प्वाइंट आफ आर्डर यह है कि क्या यह 175 करोड़ रुपये की फीमर कोई इमेजिनरी है, काल्पनिक है या इस का कोई बेस है ? अगर इस का कोई बेस है तो हर राज्य के संबंध में जरूर कोई निश्चित रकम होगी तो मैं निवेदन करना चाहता हूं कि इमेजिनरी उत्तर देना सरकार के लिए ठीक नहीं है । आप सरकार को कहिये कि सरकार निश्चित उत्तर दे ।

**श्री जाल बाबुबाणी :** श्रीमन्, मेरा निवेदन है कि यह 175 करोड़ रुपये की राशि कोई कटिजेंसी फंड की तरह ऐच्छिक तौर पर तो नहीं रखी गयी है । यह तो एक प्रकार कर की निश्चित राशि है जो प्लानिंग कमीशन ने रेकमेंड

किया है और वह कुल मिला कर 175 करोड़ की रकम हो जाती है । मैं समझ नहीं पा रहा कि क्यों न बताया जाय कि इन 9 स्टेट्स को अलग अलग कितना कितना दिया जा रहा है?

**SHRI R. K. KHADILKAR:** I have replied about the estimated gap. It is likely to vary. As estimated by the Planning Commission at the present juncture, I am prepared to give the figures State-wise but these are not final figures, I must make it clear. The figures are :

	Rs. (Crores)
Andhra . . . . .	24.05
Assam . . . . .	20.23
Jammu & Kashmir . . . . .	6.59
Kerala . . . . .	15.24
Madhya Pradesh . . . . .	11.09
Mysore . . . . .	25.58
Orissa . . . . .	31.16
Rajasthan . . . . .	30.73
West Bengal . . . . .	8.85

**SHRI S. D. MISRA:** As is very apparent from the reply of the Minister, this allocation is not directly related to the norm of back-wardness of the State. It is an ad hoc allotment being made on the basis of studies made by the Planning Commission about the gap in the resources. Does not the Government consider this as an incentive for grants and loans for the State's lapses and also non-mobilisation of resources? Will it not be a disincentive to State as it has been in the last few years, for the States to make greater deficits in the Budget and come to the Government of India to get these ad hoc grants?

**SHRI AKBAR ALI KHAN:** It is not a grant. . .

**SHRI S. D. MISRA:** It is not a question of any particular State that I am raising but I am raising the point of incentive and disincentive for efficiency and inefficiency. What is the reaction of the Government and how long will they go on like this?

**SHRIMATI INDIRA GANDHI:** I had said on a previous occasion that one of the reasons why we were reluctant to give these figures, or rather the Planning Commission was reluctant,

was because they were talking with each State and trying to urge them to have the maximum mobilisation of resources in each State. So the loan is not to condone any wrong which a State may have committed but to deal with a given situation. This situation had arisen in the past also. We have to find some solution to it but we are trying to do so in a way and we do not just dole out the money. The Planning Commission goes into great details and tries to get the States to make the maximum effort.

**SHRI THILLAI VILLALAN:** Mr. Parthasarathy and his leader, Mr. Kamaraj, in our Tamil Nadu tried to blow hot and cold at the same time. When the Government of Tamil Nadu was given Rs. 22 crores for drought relief, he had stated that extra favouritism had been shown to Tamil Nadu due to political consideration.

**SHRI S. D. MISRA:** Not out of this fund.

**MR. CHAIRMAN:** If you have no question, do not put it.

**SHRI THILLAI VILLALAN:** Due to interruptions I am not able to put my supplementaries. I want the Prime Minister to throw light on three points. Firstly, in the recent Chief Ministers' meeting, may I know whether our Chief Minister had put as one of the conditions for accepting the Fourth Plan that due allocation from this Rs. 175 crores should be made to the Government of Tamil Nadu? The second point is whether this has been accepted or refused and if it is refused was it refused only to meet the allegation, which is devoid of facts, by the Congress (Opposition), that extra favouritism has been shown to Tamil Nadu?

The third point is whether this Government is going to accede to the just demand of Tamil Nadu. I want the hon. Prime Minister to throw light on these three points specifically.

**SHRIMATI INDIRA GANDHI:** These matters have to be looked at with cold calculation and we cannot be diverted from this by criticism, either adverse or favourable. We have said that this money was put aside for a particular purpose and if Tamil Nadu does not come in that category then we

cannot put it on the list because this could mean putting all other States in as well and there would be no sense in keeping a separate sum for this particular purpose. As far as the question about the Chief Minister of Tamil Nadu is concerned, he did make this request at the NDC meeting. I have said on a previous occasion that this phrase of not accepting the Plan is rather strange. What does it mean? Because in fact the plan is going ahead and the State is implementing it. Not accepting the Plan would mean either that the State refuses Central assistance which it is asking for or it refuses to undertake the many projects and programmes which are within the Plan. So just to say that it does not accept the Plan, really has no meaning. One can say that the Plan is accepted under protest. That can be said but finally the Plan has to be accepted, otherwise work in the State would stop.

**SHRI M. M. DHARIA:** Mr. Chairman, Sir, is it not a fact that the criteria applied by the Finance Commission and the criteria that were laid down by the hon. Minister of State are the same? When there is not much of a difference in these criteria what was the special need for applying these criteria?

Secondly, is the Government satisfied that the States have made all possible efforts to mobilise resources through taxation or whether the Government has decided to give this special premium for their reluctance to have heavy taxation in their own States? Sir, it seems those who are not prepared to raise taxes are likely to get these loans which in years to come may be converted into grants also. So under these circumstances will the hon. Prime Minister assure the country that while applying these criteria all possible care shall be taken to see that the States which are failing in their duty shall not have any premium?

**SHRI R. K. KHADILKAR:** Sir, this provision has been made after the Fifth Finance Commission's recommendations were out. After that when it was discovered that certain States have not got much even by way of devolution only then these provisions were made. This has nothing to do with encouraging or giving a sort of disincentive to making efforts for raising resources. For the

benefit of the hon. Member I would point out the position with regard to resources by all the States put together and by the Centre and then he will realise that his contention is not borne out. For instance, the expected yield from the States was about Rs. 414 crores and the balance to be raised in the remaining three years is about Rs. 686 crores; so there also is a gap in this. So far as the Centre is concerned, the target for the Fourth Plan was Rs. 2100 crores, the yield is Rs. 1400 crores and the balance to be raised in the three years is Rs. 700 crores. From this of course it is clear that though every State and the Centre is making every effort to mobilise resources there is a gap between the expectation and the yield at the present juncture.

**SHRI M. M. DHARIA:** Mr. Chairman, Sir, my question was whether the Central Government is satisfied that the States have made all possible efforts to mobilise taxation resources in their own States and I have not received any reply to that question. Is the Central Government satisfied or not?

**SHRI R. K. KHADILKAR:** Of course the hon. Member knows what type of efforts are made. Sometimes it is just possible the Finance Secretary of a State may manipulate the budgetary position in such a manner as to leave more gap. So everything is examined by the Planning Commission.

**SHRI M. M. DHARIA:** Sir it is very strange that the hon. Minister says that the Secretary will manipulate the position. If he is going to manipulate how are you going to examine and assess the position?

**SHRI A. G. KULKARNI:** This is a bad insinuation against the State Government Secretaries. Can the Minister make such insinuations against the Secretaries of State Governments?

**MR. CHAIRMAN:** All right. Next Question.

**SHRI A. G. KULKARNI:** It is not a question of just saying all right. You have to take cognisance of this.

**MR. CHAIRMAN:** You please sit down; I have not called you.

**SHRI A. G. KULKARNI:** I am standing on a point of order.

**MR. CHAIRMAN:** There is no point of order. I have called the next question.

**SHRI A. G. KULKARNI:** I want to draw your attention to the statement made by the Minister of State for Finance that the Secretaries might manipulate the position. Is it a dignified statement to be made by the Minister of Finance? Will it be right for him to put the blame on the Secretaries of State Government? You have to judge and decide; I do not know.

**SHRI R. K. KHADILKAR:** There is no intention to cast any aspersion on the State Secretaries.

**SHRI BHUPESH GUPTA:** But, Sir, manipulation is very common nowadays.

**MR. CHAIRMAN:** No, no. Unless it is proved you cannot say such things.

#### NATIONALISED BANKS

\*464. **SHRI A. G. KULKARNI:**†  
**SHRI R. P. KHAITAN:**

Will the PRIME MINISTER be pleased to state:

(a) whether any changes have taken place recently in connection with the appointment of the Board of Directors of the nationalised banks and the progress so far made in giving guidelines to those Boards to adopt new policies of "Credit worthiness of the purpose" instead of "Credit worthiness of the person"; and

(b) what specific provisions have been made to avoid overlapping of credit due to different agencies working in the same field and at the same place?

**THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI P. C. SETHI):** (a) The first Boards of Directors of the nationalised banks will be constituted by the Government shortly. In the meanwhile, the Custodians are being assisted in the discharge of their duties by Internal Management Committees, on each of which the Reserve Bank has nominated an officer. While no official directive has been given to nationalised banks,

†The question was actually asked on the floor of the House by Shri A. G. Kulkarni.